

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7169

BILL NUMBER: HB 1472

NOTE PREPARED: Jan 9, 2015

BILL AMENDED:

SUBJECT: Various tax matters.

FIRST AUTHOR: Rep. Negele

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Pending

Summary of Legislation: The bill contains the following provisions:

Definition of Temporary Storage: It specifies that the definition of "storage" for purposes of the use tax does not include temporary storage of property for not more than 60 days for the purpose of the subsequent use of the property solely outside Indiana.

Sales Tax Refunds: It removes the 36 month rolling time limit on filing refund claims for exempt utility purchases exempt from sales and use tax.

Sales Tax Exemption - Medical Equipment: It amends the sales tax exemption for medical equipment, supplies, and devices to: (1) restate the application of the sales tax exemption for medical equipment, supplies, and devices; and (2) provide a sales tax exemption for food, food ingredients, and dietary supplements that are sold by a licensed practitioner or pharmacist.

Sales Tax Exemption - Prescription Drugs: It amends the sales tax exemption for drugs, insulin, oxygen, blood, or blood plasma to restate the application of the sales tax exemption.

Sales Tax Exemption - Prescribed Food: It repeals the sales tax exemption for food and food ingredients prescribed as medically necessary by a physician.

Sales Tax Exemption - Research and Development: It amends the definition of "research and development activities" for purposes of the sales tax exemption for research and development equipment and property.

Retail Merchant Certificates: It provides guidance on when a retail merchant's certificate may be revoked.

Research Expense Credit: It specifies that the federal research and development credit used for purposes of calculation of the Indiana research expense income tax credit is the same as the federal research and development credit allowed under the Internal Revenue Code (IRC). Provides that "base amount" and "qualified research expense", for purposes of the state research expense income tax credit, have the same meaning as those terms are defined under the Internal Revenue Code.

Internal Revenue Code (IRC): It updates references to the IRC.

Advanced Earned Income Tax Payments: It removes outdated references to earned income tax advance payments.

Withholding Tax Filings: It requires an employer to file annual withholding tax reports (Form WH-3) not later than 31 days after the end of the calendar year.

Filing Extensions: It provides that, if a person is allowed an extension of time by the Internal Revenue Service to file a federal income tax return, the corresponding due dates for the person's Indiana income tax returns are automatically extended for the same period as the federal extension.

Tax Warrants: It provides that a tax judgment may be released and a tax warrant expunged if the commissioner of the Department of State Revenue (DOR) determines that the release of the tax judgment and the expungement of the tax warrant are in the best interest of the state. (Under current law, the release of a tax judgment and expungement of a tax warrant are authorized only if the DOR determines that the filing of the tax warrant was in error.)

Administrative Procedures: It aligns the administrative procedures for protesting refund denials and proposed assessments. This bill changes the tax court's standard of review of DOR decisions. It codifies the attorney-client and deliberative process privileges.

Motor Carriers: It permits the DOR to deny an application for a motor carrier in certain situations.

Wheel Tax Collection Fee: It provides that the DOR may charge a fee to a vehicle owner for collecting the wheel tax. It specifies that the fees collected must be deposited in the motor carrier regulation fund.

Cigarette and Tobacco Tax: It eliminates the ability to purchase cigarette tax stamps using a letter of credit. It removes the exception from posting a bond or letter of credit for a distributor that has at least five consecutive years of good credit standing with the state.

Effective Date: January 1, 2015 (retroactive); July 1, 2015.

Explanation of State Expenditures: *As of the above date, the fiscal analysis of this bill has not been completed. Please contact the Office of Fiscal and Management Analysis for an update of this fiscal impact statement.*

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources:

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